

4 Ideas to Reduce Shipping Costs

Am I Overpaying for Shipping?

Shipping can be one of the most complicated – and costly – activities for any small business. Poor or no planning can result in overpaying, as well as losing sales if the business can't provide consistent and cost-effective delivery to its customers.

Do you negotiate competitive discounts with your shipping providers? Do your purchase invoices include shipping and handling charges? If you answered “yes” to either of these questions, then you could very well be overpaying for your shipping.

Here are four ideas for you to consider to reduce your overall shipping costs:

#1 Obtain Discounts with Carriers

Most carriers – whether express, parcel or freight – provide discounts to businesses that routinely ship or receive merchandise. The old adage “everything is negotiable” is an immutable fact when it comes to shipping fees. The challenge, however, for small businesses is how to go about obtaining the same, steep discounts that are normally reserved for large businesses and heavy freight shippers.

One tactic a small business should consider is joining an industry trade association. Often times, industry trade associations are able to aggregate the buying clout of its members to negotiate and provide better shipping rates to all the businesses that participate in the program. [PartnerShip®](#), the company that manages the [ACS Shipping Program](#), is an example of a third party logistics provider that specializes in working with industry trade associations across the country to create discounted shipping programs for participating members.

Another approach a small business can take is to work directly with a [third-party logistics provider](#) (3PL), or even directly with your carriers, to see if you can get better discounts than you presently have today. Often times if you simply “ask for better pricing” you will get it because 3PLs and carriers are always looking to retain and grow their business. Be prepared to share example shipping invoices or manifests with your 3PL or carrier to help them best assess your shipping patterns and provide you with the best pricing. PartnerShip provides ACS members with a [free shipping analysis](#) service to help them through this process.

#2 Develop an Inbound Shipping Management Program

One of the simplest and easiest ways to immediately cut your inbound freight costs is to change your shipping terms from “prepaid and add” to “inbound collect.” Having your vendor or supplier ship collect on your recommended carrier eliminates any handling charges, thus saving you money.

When you [gain more control over your inbound shipping](#), you can save on small package and freight shipments coming into your business every day. As the buyer and receiver of the goods, you can and should designate the carrier and arrange for shipping charges to be billed directly to you at your discounted rate. This is called routing shipments inbound “Collect.”

In general, there are many benefits to having your inbound shipments routed collect. As the example below shows, it often saves a lot of money. But even if you don't have shipping discounts that are better than your vendor, their handling mark-up could still make the overall shipping costs higher than your own.

Scenario A	Scenario B
From: Sparks, NV 89431	From: Sparks, NV 89431
To: Chicago, IL 60628	To: Chicago, IL 60628
Weight: 300 lbs.	Weight: 300 lbs.
Freight Class : 150	Freight Class : 150
Vendor Prepaid & Add: \$1065.84	Inbound Collect: \$639.51

[Inbound shipping programs](#) are often best managed through a third-party logistics provider. A good 3PL can help you develop routing instructions for your vendors, monitor compliance, and audit invoicing to ensure you're saving the most on your inbound shipping.

#3 Use the Correct Mode & Service Level

A common dilemma for small businesses is deciding the appropriate shipping mode to use for their important shipments. Shipping mode choices include LTL freight, small package, ground, air, ocean, rail, intermodal, and others. When deciding whether to use a small package or LTL freight carrier, for example, shippers must take into consideration the weight and characteristics of the shipment, the shipment destination (e.g., business, residence, etc.), service needs, pricing and fees, and loss or damage concerns.

The table below illustrates an example shipment of varying sizes moving across three different shipping modes. Each mode carries with it a certain level of cost, speed, and liability protection. Choosing the right mode will help your business maximize shipping costs and customer satisfaction.

Packaging	Weight	Small Package Express	Small Package Ground	LTL Freight
Service Level		1 day	4 days	4-5 days
1 package	5 lbs.	\$54.04 ¹	\$9.18 ¹	\$140.80
1 package	50 lbs.	\$203.95	\$34.77	\$140.80
2 packages	100 lbs.	\$407.90	\$69.54	\$140.80
4 packages	200 lbs.	\$815.80	\$139.08	\$143.87
3 cartons on 1 pallet	300 lbs.	\$1,223.70 ²	\$208.62 ²	\$215.79 ³
5 cartons on 1 pallet	500 lbs.	\$2,069.50 ²	\$347.70 ²	\$313.13 ⁴

¹ If urgency is important, express shipping might be a good option. Otherwise, ground shipping will be most economical.

² Small package carrier will not accept a pallet; cartons must be loose.

³ LTL Carrier will provide liability coverage of \$750 on this shipment; Small package carrier will only provide \$300

⁴ LTL Carrier will provide liability coverage of \$1,250 on this shipment; Small package carrier will only provide \$500

#4 Consolidate Orders When Possible

As a general rule of thumb, one big order ships for less than three smaller orders. That means small businesses should consider consolidating multiple orders into a single shipment whenever possible, and always striving to minimize the number of packages it sends. All too often, shipments are arranged as they come in from sales or order processing. However, a little planning and visibility goes along ways towards shipping savings as the table below shows.

Scenario A	Scenario B
From: Sparks, NV 89431	From: Sparks, NV 89431
To: Chicago, IL 60628	To: Chicago, IL 60628
3 shipments @ 300 lbs. each	1 shipment @ 900 lbs.
Freight Class: 150	Freight Class: 150
LTL Discount: 70%	LTL Discount: 70%
Total Freight Charges: \$1,945.35	Total Freight Charges: \$1,491.11

Consolidating orders provides additional benefits to both shippers and receivers of small package and freight shipments, including:

- Reduced shipping supply expenses
- Greater fuel efficiency (better on the environment)
- Less time needed to receive, handle, and restock orders

One strategy for shipment consolidation is to create a simple shipping guide that takes into consideration all of your business rules for carriers, weight breaks, orders, and shipping contacts. Distribute this guide to your vendors and discuss it with your customers. A little communication can often go a long way towards small business savings.

In Summary

Shipping is an important cost factor for any small business that ships or receives materials or merchandise. It is often possible to reduce these costs with a little planning and effort. Utilizing some or all of these four tips to control shipping costs can eliminate the strain shipping expenses put on your business. With the [ACS Shipping Program](#), managed by PartnerShip, ACS members like you save on every shipment you send or receive through the program. This program is designed to help businesses put these four tips into action and positively impact your bottom line!